

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY Click Here To View	i
RECOMMENDATIONS	iii
INTRODUCTION	1
BACKGROUND	2
<i>Chart I</i>	
<i>Organizational Chart Relating To Unclaimed Property</i>	<i>3</i>
<i>Major Accomplishments Relating To The Disposal Of Unclaimed Property</i>	<i>4</i>
SCOPE AND METHODOLOGY	5
FINDING I	
THE DEPARTMENT OF GENERAL SERVICES NEEDS TO IMPROVE ITS PHYSICAL AND ADMINISTRATIVE CONTROLS OVER UNCLAIMED PROPERTY	6
<i>Municipal Code Requirements</i>	<i>7</i>
<i>Transfers From The Police Department Property Room To General Services</i>	<i>8</i>
<i>Physical Security Over Unclaimed Property Is Inadequate</i>	<i>8</i>
<i>Inadequate Alarm Security</i>	<i>9</i>
<i>Inadequate Security For Locked, Caged Areas</i>	<i>10</i>
<i>Inadequate Security For The Central Warehouse Combination Safe</i>	<i>12</i>
<i>Written Policies And Procedures Are Inadequate</i>	<i>13</i>
<i>Segregation Of Duties Is Inadequate</i>	<i>14</i>
<i>Property In The Custody Of General Services Is Subject To Being Lost, Misplaced, or Stolen</i>	<i>15</i>

CONCLUSION	18
RECOMMENDATIONS	18
<i>Recommendations Requiring Budget Action</i>	21
FINDING II	
THE DEPARTMENT OF GENERAL SERVICES NEEDS TO FORMALLY CONTRACT FOR UNCLAIMED PROPERTY AUCTIONEERING SERVICES AND FULLY REPORT AUCTION RESULTS TO THE CITY MANAGER	22
<i>San Jose Municipal Code Requirements</i>	22
<i>No Written Contract</i>	23
<i>No Reports To The City Manager</i>	23
CONCLUSION	24
RECOMMENDATIONS	25
ADMINISTRATION'S RESPONSE	26
APPENDIX A	
DEFINITIONS OF PRIORITY 1, 2, AND 3	
AUDIT RECOMMENDATIONS	A-1
APPENDIX B	
MEMORANDUM FROM ACTING DIRECTOR OF GENERAL SERVICES TO THE CITY AUDITOR REGARDING MAJOR ACCOMPLISHMENTS IN UNCLAIMED PROPERTY AUCTION PROCESS	B-1

INTRODUCTION

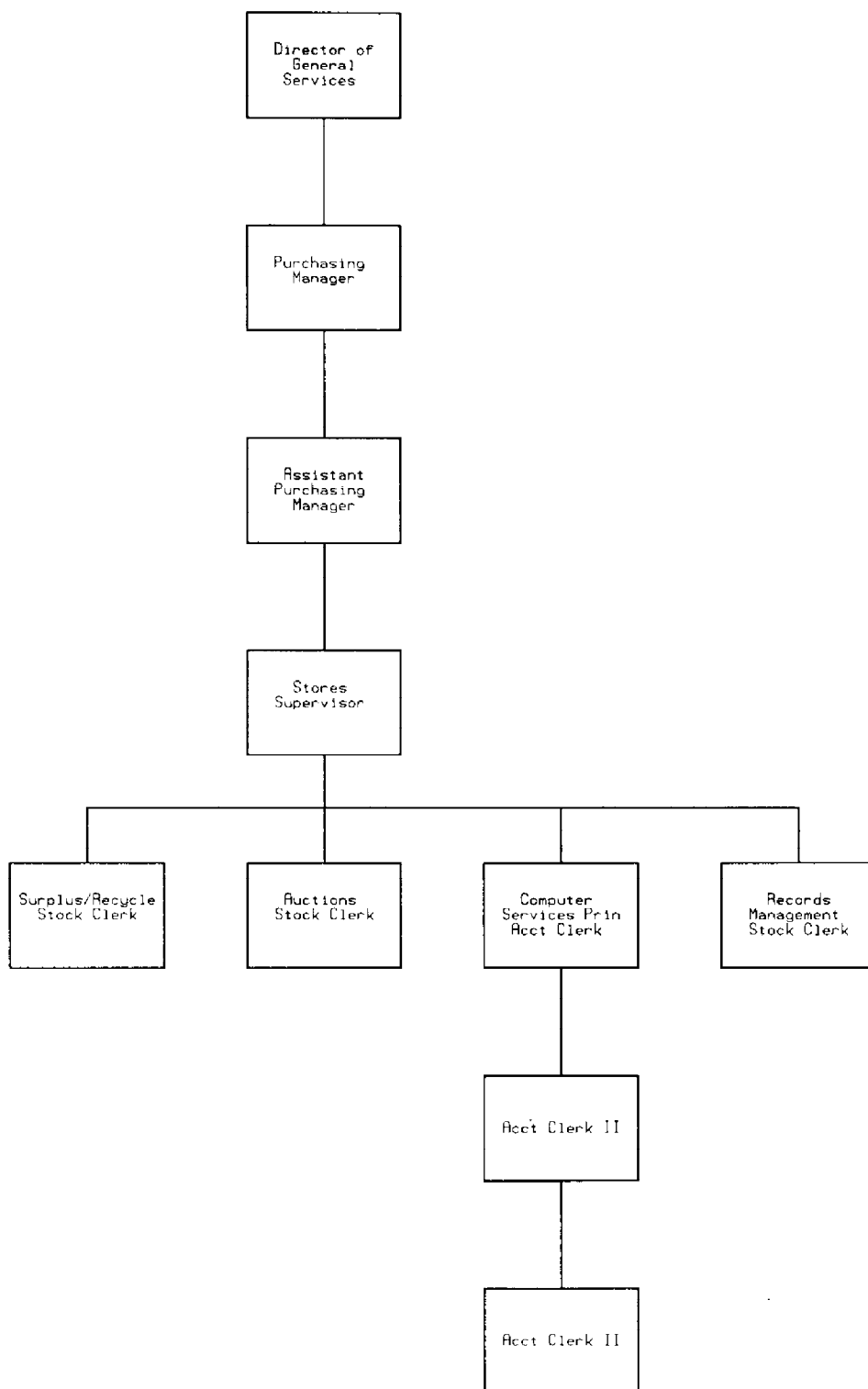
In accordance with the City Auditor's 1991-92 Audit Workplan, we have audited the operations of the San Jose Police Department Property Room. In connection with this audit, we reviewed the Department of General Services' process for disposing of unclaimed Police Department property that the Department transfers from its Property Room to General Services for storage and disposal. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

BACKGROUND

The San Jose Municipal Code Chapter 2.28 describes how unclaimed found property or property delivered to the San Jose Police Department may eventually become the property of the City of San Jose. In accordance with the Municipal Code, the Department of General Services is responsible for storing, auctioning, transferring, or disposing of the unclaimed property it receives from the Police Department.

Chart I shows the General Services organization structure as it relates to unclaimed property.

CHART I
ORGANIZATIONAL CHART
RELATING TO UNCLAIMED PROPERTY



Major Accomplishments Relating To The Disposal Of Unclaimed Property

In Appendix B, General Services informed the Office of the City Auditor of its major accomplishments relating to the disposal of unclaimed property.

According to the Acting Director, General Services has taken steps to improve its internal controls over unclaimed property. Specifically, General Services has or is in the process of improving the following:

- Conducting an inventory of unclaimed property upon receipt from the Police Department and directly transferring property to an appropriate auction house whenever possible;
- Determining the adequacy of General Services' policies and procedures;
- Periodically changing the Central Warehouse safe combination and rekeying the Warehouse whenever staff terminates employment with General Services;
- Reducing the number of personnel who know the Central Warehouse safe combination and requiring that two people be present whenever the safe is opened and its contents handled; and
- Using a log sheet to record when the safe is opened, by whom, and for what reason.

SCOPE AND METHODOLOGY

This is the first report on our audit of the Police Department Property Room and related City operations. Our objectives were:

- To determine the adequacy of the policies and procedures that the Department of General Services follows in safeguarding or disposing of unclaimed property and
- To determine whether General Services' controls over the unclaimed property auction process are in place and working effectively.

We reviewed files relating to the transfer of unclaimed property from the Police Department Property Room to General Services. We interviewed General Services' auction staff regarding the security over the unclaimed property and General Services' auction procedures. In addition, we reviewed the records of prior auctions that General Services conducted in-house, as well as the records of the current outside auctioneer. Further, on February 8, 1992, audit staff attended the auction that the City's outside auctioneer, Cambridge Auction House, conducted for the City. Finally, we performed an in-depth analysis of the General Services' May 18, 1991, in-house auction.

We limited our review to the General Services' procedures and practices for the safeguarding and the auctioning of unclaimed Police Department property. Our audit did not extend to the safeguarding and auctioning of automobiles or surplus equipment.

FINDING I

THE DEPARTMENT OF GENERAL SERVICES NEEDS TO IMPROVE ITS PHYSICAL AND ADMINISTRATIVE CONTROLS OVER UNCLAIMED PROPERTY

The San Jose Municipal Code imposes on the Director of General Services the responsibility to protect and/or dispose of the unclaimed property that the San Jose Police Department transfers from its Property Room. Our review of the manner in which the Department of General Services stores and disposes of unclaimed property revealed the following:

- Physical security over unclaimed property is inadequate;
- Written policies and procedures are inadequate; and
- Segregation of duties is inadequate.

As a result, unclaimed property in the custody of General Services is subject to being lost, misplaced, or stolen. In order to improve its physical and administrative controls over unclaimed property, General Services should (1) review its list of persons authorized to enter its warehouse after normal hours; (2) require authorized persons to have individual alarm codes or to telephone the alarm company after entering the Central Warehouse; (3) change the Central Warehouse safe combination; (4) develop written policies and procedures for the handling, auctioning, and disposal of unclaimed property; (5) immediately inventory, auction, or otherwise dispose of the jewelry in its safe; and (6) provide for additional segregation of duties over unclaimed property from initial pick-up to auction or disposal.

Municipal Code Requirements

The San Jose Municipal Code provides for the storage, transferring, disposition, and reporting of property in the Police Department Property Room that goes unclaimed. In addition, the Municipal Code provides for the City to be reimbursed for its costs of handling and disposing of the unclaimed property. Specifically, Municipal Code Chapter 2.28 states in part:

*Section 2.28.020 **Items found on public property -- Delivery to chief of police.***

Any and all personal property found or saved on public property of the city shall be delivered to the chief of police.

*Section 2.28.050 **Property transferred to director of general services when.***

If no owner appears and proves ownership of the property within four months, such property shall be returned by the chief of police to the finder after approval has been granted, and thereafter, unless otherwise authorized by the director of general services, such property shall not be redeemable by the owner or other person. If the finder does not take possession of the unclaimed property within two months after expiration of the four-month time period allowed for the owner to claim the property, such property shall be transferred by the chief of police to the director of general services. The director of general services may order such property to be returned to the finder thereof if he deems such return to be in the public interest.

*Section 2.28.060 **Disposition of property.***

- A. If the director of general services determines that any such property transferred to him is needed for public use, such property may be retained by the city and need not be sold.*
- B. If the director of general services determines that such property is not needed for public use, it shall be sold at public auction. The director of general services shall cause notice of such sale to be given at least five days before the time fixed therefor by publication once in a newspaper of general circulation published in the county of Santa Clara.*

- C. *Any property remaining unsold after being offered at such public auction may be destroyed or otherwise disposed of by the director of general services.*

Transfers From The Police Department Property Room To General Services

Periodically, the Police Department transfers unclaimed property from its Property Room to General Services. Police Department Property Room personnel move and segregate all unclaimed property approved for release to General Services for auction. A General Services representative, usually the Stores Supervisor, inventories the property and signs a receipt (called the Transfer of Unclaimed Property form) for the property.

Until January 1992¹, the Stores Supervisor and the Stock Clerk transported unclaimed property from the Police Department Property Room directly to General Services' Central Warehouse. Upon arrival at the Central Warehouse, the Stock Clerk locked most of the unclaimed property in a small storage cage in the back of the Central Warehouse while the Stores Supervisor locked the high-value items in the Central Warehouse safe.

Physical Security Over Unclaimed Property Is Inadequate

Our audit disclosed that physical security at General Services' Central Warehouse is inadequate. As such, the unclaimed property is exposed to loss,

¹Since February 1992, General Services has changed its practices. At the February 8, February 29, March 21, and April 11, 1992, auctions, the Stock Clerk transported the unclaimed property, including the high-value items, from the Police Department Property Room directly to the auctioneer, Cambridge Auction House of Mountain View. In the future, General Services will continue to transport the unclaimed property directly to the auction house, unless the auction house cannot accommodate the property. In those cases, General Services will transport the items to its Central Warehouse for safekeeping.

misuse, or theft. We identified physical security inadequacies over unclaimed property regarding the Central Warehouse alarm system, locked, caged storage areas, and the combination safe.

Inadequate Alarm Security

RFI Communications, a San Jose security company provides the alarm system for the Central Warehouse. On March 3, 1992, RFI Communications company records showed that nine people were authorized to use the designated code to disarm the alarm after normal hours to access the Central Warehouse building. Three (two former employees and a former janitorial contractor) of the nine people should no longer be authorized to enter the Central Warehouse after normal hours. Further, of the remaining six names on the alarm company's authorized list, two do not appear to need access after normal hours (a Buyer II and a Senior Buyer). In addition, at least one other General Services employee and an outside contractor currently have both a key and the alarm code to enter the building after normal hours but are not on the alarm company's authorized list. Finally, authorized individuals entering the Central Warehouse after normal hours cannot be identified as they do not have personal identification numbers. All individuals entering the Central Warehouse after normal hours use the same code to disarm the alarm and are not required to telephone in and identify themselves. Should someone activate the alarm by entering an incorrect code, that person need only call the alarm company and identify himself or herself as an authorized individual to have the alarm signal interrupted and not sent on to the Police Department.

General Services estimates that it would cost about \$2,200 to install a dual alarm system (one for the administrative office and one for the Central Warehouse) with individual alarm codes. In addition, monthly monitoring fees for the dual alarm system would increase from \$20 to \$40 per month.

Inadequate Security For Locked, Caged Areas

General Services uses two locked, caged areas for unclaimed property items at its Central Warehouse. These two locked, caged areas occupy the back portion of the Central Warehouse. Our audit revealed the following security inadequacies regarding these two locked, caged areas.

General Services uses one storage cage to hold items immediately after it picks them up from the Police Department Property Room. This storage cage has three solid walls with a padlocked, sliding door in one wall. The fourth side of the cage is a wire fence (approximately 12 feet high) which does not reach to the ceiling. As a result, this caged area is exposed to the risk of someone climbing over the wire fence to access the stored items.

Before General Services started using an outside auctioneer, a second caged area at the Central Warehouse was used for temporary storage of property and conducting auctions. This caged area is L-shaped with a back, solid wall and wire fencing on the other three sides. A six-foot fence separates this locked, caged area from a records area. This fence can be scaled easily by using a nearby portable staircase.

Of the two receiving doors on the west side of the Central Warehouse, one is adjacent to the two storage cages. Audit staff observed that this receiving door was always open. An exit door leading to the old railway loading dock area is within 50 feet of the storage cages. While this exit door is locked on the outside, it is not locked on the inside, and the security alarm on this door is not activated during the day.

General Services has a policy that the caged areas are to be locked at all times when not attended. However, in practice, stock clerks occasionally leave cages open and unlocked while they use the restroom or the staff coffee room. In addition, General Services' Central Warehouse procedures allow any stock clerk to work alone in the locked, caged areas loading, unloading, or setting up unclaimed property items for auction. Finally, at one time, stock clerks at Central Warehouse had keys to the locked, caged area. However, after some thefts in 1991², General Services confiscated all the keys and changed the locks.

While General Services appears to have acted appropriately in this matter, our audit revealed that changing the locks did not really increase security over the locked, caged areas. Specifically, after changing the locks, General Services gave new keys to only the Stores Supervisor and the Principal Account Clerk. However, these individuals would routinely give the new keys to any stock clerks who said they needed to unlock the storage cages. These stock clerks were not required to sign a log indicating that they had possession of a key or for how long. Furthermore, several Central Warehouse employees knew that the Principal Account Clerk kept the new keys in her unlocked desk drawer during the work

² See Pages 15 through 17.

day. According to these Central Warehouse employees, they sometimes "helped themselves" to the Principal Account Clerk's keys when she was away from her desk.

Inadequate Security For The Central Warehouse Combination Safe

General Services keeps the small, high-value, unclaimed property items, such as jewelry and coins, in a six-foot high, free-standing, combination safe. The safe is located behind the administrative office in the Central Warehouse. At the time of our audit, we noted that several employees had the combination to the safe and the safe was not properly locked. We observed that although the safe doors were closed, the combination dial was set on the last number of the combination so that turning the handle was all that was needed to open the door. Audit staff was told the safe may have been open for as long as seven weeks.

As a result, any employee at the Central Warehouse had easy access to the jewelry in the combination safe for a long period of time. Further, audit staff noted (1) a large number of jewelry items in the safe, (2) these items had accumulated over a period of at least two years, and (3) General Services did not have an inventory of the jewelry items that should be in the safe. This large accumulation of un-inventoried jewelry items occurred because the Stores Supervisor released only 25 packages of jewelry for each unclaimed property auction regardless of how much jewelry was in the safe.

According to General Services' Purchasing Manager, General Services has not changed the combination for the safe in approximately three years. In addition, at least two people who no longer work for General Services know the

combination: the former Stores Supervisor (who resigned from City employment on February 18, 1992) and a former Stock Clerk (who transferred out of General Services in January 1989).

Finally, it should be noted that, at the suggestion of the City Auditor's Office, during the week of March 23, 1992, the Principal Account Clerk and the Senior Typist Clerk at the Central Warehouse inventoried 370 pieces of jewelry in the safe. While some of the jewelry pieces appeared to have low to moderate value, other pieces, such as 14-carat or 18-carat gold with precious or semi-precious stones, appeared to have relatively high values. On March 27, 1992, General Services delivered the jewelry to Cambridge Auction House for the April 11, 1992, auction. Cambridge Auction House auctioned the jewelry on April 11, 1992, for \$2,885.

Written Policies And Procedures Are Inadequate

Written policies and procedures are an important part of any organization's internal control structure. Specifically, policies are general statements that guide thinking and action in decision-making. In addition, written policies indicate a preferred method for achieving objectives. Written procedures, on the other hand, detail the exact manner in which an organization should perform its duties.

Written procedures consist of a set of specific steps in chronological order and serve as a guide to action. The advantages of having adequate written policies and procedures are that they (1) reduce the need for managerial direction of routine matters,

(2) improve efficiency through standardization of actions, (3) facilitate the training of personnel, and (4) provide coordination among different departments. A

pronouncement of the American Institute of Certified Public Accountants, *Consideration of the Internal Control structure in a Financial Statement Audit*, identifies control procedures as an element of the internal control structure. One important category of control procedures is "*Design and use of adequate documents and records to help ensure the proper recording of transactions and events. . .*"

Our audit revealed that General Services does not have adequate, written policies and procedures in place for miscellaneous unclaimed property, jewelry, auction cash, or auction records. Specifically, General Services does not have adequate

- Written policies or procedures for its auction process;
- Well-kept records that provide a clear audit trail of all property and related transactions or adequate management reporting; and
- A policy that unclaimed property be auctioned or otherwise be disposed of in a timely manner in accordance with Municipal Code Chapter 2.28.

Segregation Of Duties Is Inadequate

A good system of internal controls requires an adequate separation of duties. Separation of duties is an important control to prevent undesirable events, such as fraud, from happening. Organizations should segregate the work among its employees so that no individual performs incompatible functions or is not subject to another person's review or supervision.

Our audit revealed that General Services does not adequately segregate duties and responsibilities at its Central Warehouse. As a result, some employees are performing incompatible functions. For example,

- The Stores Supervisor is the person primarily responsible for safeguarding the unclaimed property at the Central Warehouse. Among other things, the Stores Supervisor was solely responsible for handling jewelry. In fact, the Stores Supervisor personally transported jewelry from the Police Department Property Room at 151 W. Mission Street in his own vehicle to the Central Warehouse for storage in the safe;
- General Services' procedures do not specify the use of a log sheet to record when the safe is opened or by whom;
- There is no requirement that two people be present when the safe is opened or when jewelry is handled; and
- General Services has poor separation of duties over the auction proceeds cash-handling process. For example, the auction cashier worked alone with the auction cash proceeds from the first work day following the auction through preparing the Financial Management System edit list, to recording cash received, and to bundling the cash for deposit.

**Property In The Custody Of General Services
Is Subject To Being Lost, Misplaced, Or Stolen**

Without adequate physical security, written policies and procedures, and segregation of duties, unclaimed property items, the auction proceeds from their sale, or related auction records may be subject to being lost, misplaced, or stolen. In fact, unclaimed property items transferred from the Police Department Property Room to General Services have disappeared and were apparently misplaced or

stolen prior to being auctioned. In addition, there have been instances of unresolved auction proceeds shortages. Some instances of lost, stolen, or unresolved items include the following:

- Four sets of stereo speakers, one speaker equalizer, one cassette receiver, one car stereo, one leather coat, and several other miscellaneous items have disappeared from the Central Warehouse. These items, worth about \$1,000, were all unclaimed property transferred from the Police Department Property Room to General Services for auction. General Services did not report these missing unclaimed property items to the Police Department.
- General Services requires its stock clerks to prepare handwritten inventory lists, called auction write-ups, of the items to be auctioned. General Services never reconciles these write-ups to the Police Department Property Room inventory lists of what was originally transferred to General Services. Audit staff noted 25 possible missing items when comparing Property Room records to General Services' auction write-up records. These missing items include jewelry, books, hand tools, a camera, and speakers.
- Audit staff reviewed General Services' auction records for the May 18, 1991, auction of unclaimed Police Department property. Specifically, staff reviewed the auction write-up ledger, the actual tags, the recorder's ledger, and the computerized auction results ledger. Questionable cash discrepancies were as follows:
 - 1) A bidder never paid for speakers bid on at \$117. Another tag shows these speakers as being auctioned at no-charge.
 - 2) Tag number 58801 indicates someone bid \$90.95 for an auction item, but this item was recorded at a bid price of \$69.55.
 - 3) The recorder's ledger shows two pieces of stereo equipment were auctioned for \$74.90 on tag number 58943, but the

computerized auction "sales" recap shows four pieces of stereo equipment were auctioned for \$74.90 on the same tag number.

4) In addition, we noted the following discrepancies between tag number information and computerized "sales" recap information:

- Tag number 58894 shows a bidder paid \$21.40 for an auction item, but the item is not listed on the computerized auction "sales" recap;
- Tag number 58934 indicates someone bid \$42.80 for two auction items, but the computerized auction "sales" recap shows both as being auctioned at no-charge; and
- Tag number 58958 indicates someone bid \$42.80 for an auction item, but the item does not appear on the computerized auction "sales" recap.

It should be noted that bid proceeds for the above three items were deposited to the City's General Fund. As such, these three discrepancies do not appear to constitute lost auction proceeds.

In addition, audit staff also noted the following two instances of new (not unclaimed) property items that General Services reported as missing from its Central Warehouse:

- There was a burglary at the Central Warehouse on or about April 28, 1991. General Services determined that a camcorder was stolen and reported the burglary to the Police Department.
- Five tires are missing from the Central Warehouse inventory. On March 30, 1992, the General Services Yardmaster issued an "Inventory Imbalance" memo. In his memo, the Yardmaster concluded that *"All of our efforts to resolve this imbalance have failed and we cannot account for this discrepancy."*

- When General Services held auctions in-house, the cash the auction cashier took in did not always balance to the amount the auction recorder recorded. These auction cash differences were never fully reconciled, and consequently an amount over or short was sometimes shown on the Auction Report. Although these auction cash differences were relatively minor (\$137 for the last ten in-house auctions), the absence of a reconciliation requirement exposes General Services to the potential of larger cash losses in the future.

CONCLUSION

Our review of General Services' auction process for Police Department property revealed that there are inadequate physical and administrative controls over the auction process for unclaimed property. Specifically, we found the following regarding General Services' auction process:

- Physical security over the unclaimed property is inadequate;
- Written policies and procedures are inadequate; and
- Segregation of duties is inadequate.

As a result, unclaimed property in the custody of General Services is subject to being lost, misplaced, or stolen.

RECOMMENDATIONS

We recommend that the Department of General Services:

Recommendation #1:

Notify the alarm company of a revised list of persons authorized to enter the Central Warehouse building after specified normal work hours. The new list should include only current employees who have a critical need for such access. (Priority 2)

Recommendation #2:

Change the arrangements with the alarm company such that General Services will have a record of all entries after normal hours to the Central Warehouse building including the identity of the individuals gaining access. Such revised arrangements should provide for individual codes for each person authorized for entry after normal hours or require such persons to telephone in to the alarm company and report their names. (Priority 2)

Recommendation #3:

Change the combination to the safe at the General Services Central Warehouse, restrict the new combination to only those employees who have a critical need for such access, require individuals to sign a log when opening the safe, and require at least two people to be present when the safe is opened. (Priority 2)

Recommendation #4:

Develop adequate, written policies and procedures for the handling, storage, auction, or disposal of unclaimed property transferred from the Police Department Property Room in accordance with the San Jose Municipal Code Chapter 2.28. (Priority 3)

Recommendation #5:

Continue to send unclaimed property picked up at the Police Department Property Room directly to the auctioneer. (Priority 3)

Recommendation #6:

Limit the number of individuals authorized to have a Central Warehouse key, limit access to the keys, retain keys at the Central Warehouse at all times, and request individuals to sign a log when using keys to enter a secure area.
(Priority 2)

Recommendations Requiring Budget Action

Of the preceding recommendations, #2 cannot be implemented absent additional funding. Accordingly, subject to City Council approval of these recommendations, the City Manager should include in the City Manager's Proposed Operating Budget for 1992-93 an amount sufficient to implement Recommendation #2.

FINDING II

THE DEPARTMENT OF GENERAL SERVICES NEEDS TO FORMALLY CONTRACT FOR UNCLAIMED PROPERTY AUCTIONEERING SERVICES AND FULLY REPORT AUCTION RESULTS TO THE CITY MANAGER

The San Jose Municipal Code requires the Director of General Services to contract with auctioneers for auctioning unclaimed Police Department property. In addition, the Municipal Code requires General Services to report to the City Manager information regarding the disposition of property. Our review of General Services' handling of unclaimed property revealed that General Services:

- Has only a verbal agreement with the vendor that auctions unclaimed property for the City; and
- Does not provide the City Manager with Municipal Code-required information.

In order for General Services to comply with the Municipal Code, it should enter into a written contract with the vendor that auctions the City's unclaimed property and provide the City Manager with all Municipal Code-required information on disposition of unclaimed property.

San Jose Municipal Code Requirements

San Jose Municipal Code Section 2.28.070 authorizes the Director of General Services to contract with auctioneers to auction unclaimed Police Department property and states:

Section 2.28.070 Costs of disposal.

The director of general services is authorized to employ auctioneers by contract to conduct public auctions for the purposes specified in this chapter, and to pay for such services, to pay costs of mailing and advertising, and to pay such other expenses as may reasonably be necessary to carry out the purposes of this chapter, such sums of money to be paid from the proceeds of the sales.

[Emphasis added]

No Written Contract

Our review revealed that General Services does not have a written contract with the vendor that auctions unclaimed property for the City of San Jose, Cambridge Auction House. A representative of Cambridge Auction House informed audit staff that Cambridge would be willing to enter into a formal contract with the City.

No Reports To The City Manager

San Jose Municipal Code Section 2.28.080 requires the Director of General Services to report certain auction functions to the City Manager and states:

Whenever the director of general services sells or exchanges any property pursuant to the provisions of this chapter, he shall report to the city manager, within thirty days after the date of sale, the property exchanged or sold, the gross sale price, the costs of sale, if any, the net receipts thereof, or the property obtained therefor.

Our review revealed that General Services is reporting only auction gross revenues to the City Manager and not the auction expenses and net auction

revenues specified in Section 2.28.080. Furthermore, General Services does not report the sale of miscellaneous items, surplus City property, bicycles, and unclaimed Police Department property to the City Manager as required.

Cambridge Auction House has held four auctions for the City of San Jose between December 17, 1991, and February 29, 1992. Of these four auctions, one auction was for bicycles and three were for unclaimed Police Department property. The four auctions generated \$40,644 in gross revenues of which the General Fund received \$31,499 and the auctioneer received commissions of \$9,145.

CONCLUSION

Our review of General Services' handling of unclaimed property revealed that General Services:

- Has only a verbal agreement with the vendor that auctions unclaimed property for the City and
- Does not provide the City Manager with Municipal Code-required information.

In order for General Services to comply with the Municipal Code, it should enter into a written contract with the vendor that auctions the City's unclaimed property and provide the City Manager with all Municipal Code-required information on disposition of unclaimed property.

RECOMMENDATIONS

We recommend that the Department of General Services:

Recommendation #7:

Formally contract for auctioning services. (Priority 3)

Recommendation #8:

Adhere to San Jose Municipal Code Section 2.28.080 regarding the reporting of property disposition to the City Manager. (Priority 3)

[Click On The Appropriate Box To View Item](#)

